Atlantic Pilotage Authority

Administration de Pilotage de l'Atlantique

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Summary of 2013 – 2017 Corporate Plan

Canada

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Background

The first pilots in Atlantic Canada were undoubtedly the Mi'kmaq. They navigated their sea canoes through the coastal waters of Atlantic Canada, travelling in the Bay of Fundy, the Northumberland Strait, and across the Cabot Strait between the islands of Cape Breton and Newfoundland. The first European observers of their skill believed that they used instinct for guidance, but it surely had more to do with their local knowledge of currents, tides, and navigational hazards than instinct. While modern propulsion systems, electronic equipment and navigational aids have changed the way ships are operated at sea since those ancient times, the employment of a marine pilot with extensive local knowledge and expert ship-handling skills is as essential as ever to safely enter harbours and ports and efficiently put ships alongside their berths.

The Atlantic Pilotage Authority (APA) provides a valuable and necessary service to the marine community in Atlantic Canada. The highly skilled marine pilots employed by the APA make a vital contribution to the protection of the environment, to safeguarding the lives of mariners, and to preserving and promoting the economic wellbeing of ports in Atlantic Canada. A reliable and responsible marine pilotage system plays a significant role in allowing Canadian business to remain competitive in the global marketplace.

The APA consults widely with the shipping industry and stakeholders on both operational and financial issues. Consultations have included shipping agents, ship owners, port officials, and other stakeholders. The APA has established committees of stakeholders in many ports, and also consults regularly with the Shipping Federation of Canada and the Canadian Shipowners Association. The Authority takes advice from its stakeholders, and greatly values the open lines of communications that these consultations provide. The focus of the Authority continues to be to meet the requirements of the customers in each port at a reasonable cost, while remaining financially self-sufficient.

Summary

The Authority celebrated its 40th birthday by adding two new pilot boats to its fleet. These vessels, designed to be used in Halifax, NS and Saint John, NB will provide reliable pilot boat service for years to come.

Operating Budget

The Authority is experiencing a downturn in business during 2012. The Authority intends to remain in a profitable position during the five years of the planning period. The revision of the tariff structure undertaken in recent years with the support of customers allowed the APA to withstand the downturn much better than would have been the case a

few years ago. Upon reviewing the tariff structure for 2013, the Authority will be implementing tariff amendments in seven ports that will provide a 3.90% increase in overall revenue. The following chart indicates the actual results for 2011, the anticipated results for 2012, and the budgeted statements for 2013-2017.

STATEMENT OF OPERATIONS	ACTUAL	OUTLOOK	BUDGET	PLAN			
	2011	2012	2013	2014	2015	2016	2017
TOTAL INCOME	22,039	20,250	22,692	23,948	25,116	25,618	26,130
TOTAL EXPENSES	20,381	20,124	21,602	22,152	22,923	23,394	23,876
PROFIT FOR THE YEAR	$ 1,658	$ 126	$ 1,090	$ 1,796	$ 2,193	$ 2,224	$ 2,254
Targeted Profit	$ 1,538	$ 1,393	$ 1,090	$ 1,796	$ 2,193	$ 2,224	$ 2,254
Targeted Rate of Return	7.1%	6.3%	4.8%	7.5%	8.7%	8.7%	8.6%

The Authority is seeking approval for the continuation of the $1.5 million operating line of credit for 2013.

Capital Budget

With the completion of two new pilot boats, the Authority's capital budget will be reduced in 2013 from the amounts expended in recent years. The largest expenditure will be for the purchase of a transportable pilot boat for $500 thousand, with an additional $450 thousand to be spent on refits and equipment for our existing pilot boats. It is anticipated that the capital expenditure during 2013 will be $1.326 million.

Cost Containment

The Authority has committed to respecting the spirit and intent of the cost containment measures announced in Budget Plan 2010. Discretionary spending has been frozen, with the 2013 budget for discretionary spending being 6.5% below the 2011 budget and 1.7% below the 2012 budget. Increases in operating expenditures have been offset by a corresponding or greater increase in revenue.

The non-discretionary expenditures have increased by $116 thousand from the 2012 budget. This increase is primarily driven by the $106 thousand fee initiated by Transport Canada for cost recovery of regulatory services. Even with this increase, non-discretionary spending remains below the 2011 budget level.

The Authority is a non-appropriated Crown, and was not subject to the formal spending review announced in Budget 2011. However, the APA has followed the spirit and intent of the review by undertaking a self-review to seek operational efficiencies and has

reduced discretionary administrative expenses by 4.8% from the 2011 budgeted levels and 5.1% less than 2010.

Risk Management

The Authority is conducting a preliminary scan of non-compulsory ports in Newfoundland and Labrador in 2012 to determine whether they merit a full Pilotage Risk Management Methodology (PRMM) review in 2013. A PRMM review was completed for Belledune, NB during 2012, and a recommendation has been made that the port have compulsory pilotage, and the APA will be publishing regulations to this effect in late 2012 or early 2013. In 2006, the Authority recommended that the St. Croix River and port of Bayside, NB, become compulsory. Upon further review in 2012, it was determined that the Authority would not proceed with making this port compulsory due to a decline in activity at the port.

The Management and Board of the Authority completed an Enterprise Risk Management process during the year. Ten of twenty-three risks were considered significant enough to warrant close monitoring, and mitigation strategies have been developed for all risks. The monitoring of each risk has been assigned to various Board committees.

The APA has continued to work closely with the Canadian Marine Pilots Association to promote the placement of weather buoys in Halifax, Saint John, and the Strait of Canso. These buoys would offer accurate and timely information to pilots, industry, fishers, and recreational boaters in these areas. This initiative would also benefit many public sector users such as Environment Canada, Canadian Coast Guard, Department of Fisheries and Oceans, Transport Canada, Canadian Hydrographic Service, the Port Authorities, and the APA. They would be a significant factor in reducing risk for all of these parties.

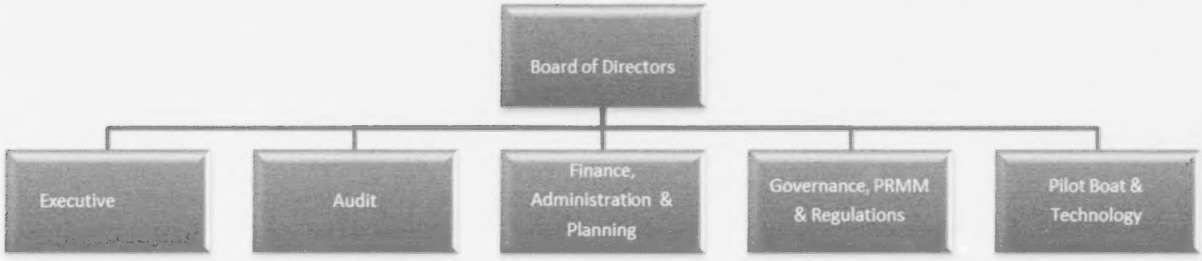
Corporate Governance

The Board and management of the APA continued the Directional Planning process that was initiated in 2007. This process provides long term planning, and is reviewed and updated each year. The fundamental principles of the Directional Plan have been incorporated into this Corporate Plan.

The Board of the Authority continues its mandate of ensuring good corporate governance. During 2012, all of the Board Committees were active, and the recommendations from these committees have been instrumental in reaching sound decisions and providing essential strategic direction.

The Chair and Members of the Authority (Board) are appointed by Order-in-Council for

terms of two to four years. The Board is composed of members with marine pilotage experience, members with shipping industry experience, and members representing the interests of the public at large. An effort is also made to have the Board reflect the widespread geographical area within the APA jurisdiction. This cross section of industry and business knowledge, experience, business acumen, and regional perspective provides an excellent background for the Board's deliberations. The Board has created a number of committees with specific responsibilities, and further information on these committees is provided below.



Conclusion

The Atlantic Pilotage Authority is well positioned to continue offering professional and safe marine pilotage service to Atlantic Canada on a self- sustaining basis. The consultative relationship that has been established with stakeholders allows the Authority to keep current with the needs, issues, and concerns of its customers.

The Authority continued its pilot boat replacement program during 2012, with one pilot boat in service mid-year, and the second to enter service by the end of the year. These boats are essential to enhance safety for pilots in the two key ports concerned, and to continue to provide a reliable service in the ports of Saint John and Halifax. The Authority plans to continue the pilot boat replacement program by acquiring a transportable pilot boat in 2013, and building two more vessels by 2016, with the process beginning in 2014.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

The Canadian public and government remain vitally concerned about the environment. The Canadian marine pilotage service provides an important environment safeguard, perhaps more so today than when the Pilotage Act was proclaimed in 1972. The Authority believes that the service provided is relevant and remains a priority of government.

The Board and Management of the Authority are pleased to present the 2013-2017 Corporate Plan.

MANDATE, MISSION, VISION

MANDATE: The mandate of the Atlantic Pilotage Authority is to establish, operate, maintain and administer, in the interest of safety, an efficient pilotage service within the Atlantic region.

MISSION: The Authority will accomplish this by providing the necessary expertise and experience, associated with the appropriate technology, to meet the needs of the industry. The Authority is committed to maximizing the use of its resources/assets to meet the goals in a safe and environmentally responsible manner.

VISION: To continue to provide an effective pilotage service throughout the Atlantic Region. In doing so, the Authority would maximize opportunities and benefit the various ports/districts and surrounding communities.

CORPORATE PROFILE

BACKGROUND

The Atlantic Pilotage Authority was established February 1, 1972, pursuant to the *Pilotage Act*.

The Authority is a Crown Corporation as defined by the *Financial Administration Act* (FAA) and is listed in Schedule III, Part I to that Act. The Authority is not an agent of the Crown.

The Board of the Authority consists of a part-time Chairperson and not more than six other members, all appointed by the Governor in Council.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

The Chief Executive Officer has the direction and control of the day-to-day business of the Authority. The Authority is administered and controlled at its headquarters, which is located in Halifax, Nova Scotia.

The Authority has not received parliamentary appropriations since 1995 and, under provisions in the *Canada Marine Act* and *Pilotage Act*, will not be eligible for future appropriations.

POWERS

To carry out its responsibilities, the Authority has established regulations, approved by the Governor in Council pursuant to the *Pilotage Act*, in order to:

- Establish compulsory pilotage areas;
- Prescribe ships or classes of ships subject to compulsory pilotage;
- Prescribe classes of pilot licences and pilotage certificates that may be issued;
- Prescribe pilotage charges payable to the Authority for pilotage services.

In addition, the Authority is empowered under the *Pilotage Act* to:

- Employ such officers and employees, including licensed pilots and apprentice pilots, as are required for operations;
- Establish internal regulations for managing its operation;
- Purchase, lease or otherwise acquire land, building, pilot boats and other equipment and assets deemed necessary, and to sell any assets thus acquired;
- Borrow, if necessary, in order to settle the Authority's expenses.

DESCRIPTION OF OPERATIONS

Since 1972, the Authority has operated, in the interest of safety, a marine pilotage service for all Canadian waters surrounding the four Atlantic Provinces, including the waters of the Bay of Chaleur in the Province of Quebec. This is the only program of business for the Authority.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

The Authority provides licensed pilots to ships that enter Atlantic Canadian Ports in order to ensure that these ships travel within the pilotage area as safely as possible. The Authority also examines qualified mariners, and issues pilotage certificates to successful candidates to enable them to navigate their ships within designated compulsory areas without a licensed pilot on board. The Authority organizes its operations according to geographic location, and has designated seventeen areas as requiring compulsory pilotage, with one more area in the process of being made compulsory. The Authority also endeavors to provide pilotage service to other areas, referred to as non-compulsory areas, upon request. Most of the pilots licensed by the Authority are employees; however, pilots may also be entrepreneurs, or a member of a body corporate contracting with the Authority for pilotage services. Pilot boat services may be owned and operated by the Authority or by a private operator who has a contract with the Authority. A complete breakdown of all revenue and costs related to the pilotage service is calculated and totaled for each port and area, and summarized for the entire operation.

Demand for the services of the Authority is, for the most part, determined by the shipping industry, over which the Authority has little or no control. The Authority evaluates its performance according to the achievement of a safe, efficient, and effective marine pilotage service while maintaining financial self-sufficiency.

In addition, success is determined by how well the Authority adapts to changes in world trade, to the establishment of new business ventures, and to patterns that develop within the shipping industry. Shipping operates on market demand. The Authority does not attract ships to the Atlantic region; it merely responds to a demand that is influenced by a number of factors.

The Authority operates within the marine transportation sector. No competition exists to provide this service in compulsory pilotage areas.

The Authority's goal is to implement tariffs that are fair and reasonable, and that allow the entity to operate on a self-sustaining financial basis. The following Table reflects the annual average percentage increase in revenue derived from increased tariffs during the following periods:

Year	2012	2013	2014	2015	2016	2017
Average Percentage Increase in revenue.	1.40%	3.90%	2.61%	1.12%	2.00%	2.00%

COMPLIANCE WITH GOVERNMENT INITIATIVES

BUDGET PLAN 2010 – SPENDING FREEZE

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

The Authority is a "non-appropriated" or self- financing Crown Corporation. Nevertheless, in budgeting for 2013, the Authority has respected the spirit and intent of ***Budget Plan 2010*** regarding limiting operating expenditures and discretionary spending.

The administration spending budgets for the APA are deemed to be the Dispatch budget, the Administration budget, and the Training budget. The items in these budgets were separated into discretionary and non-discretionary items. The discretionary expenses, which make up the majority of the total items, were reduced by 0.3% from 2010 to 2011, and an additional 4.8% from the 2011 budget levels to the 2012 budget. These expenses were budgeted to decrease 5.1% in 2012 from the 2010 budget. For the 2013 budget, the discretionary expenses have been kept below the reduced 2012 level.

For the Administration budgets in total, including both discretionary and non-discretionary spending, budgeted expenses had been reduced by 4.1% for 2012 from 2010 and 2011 budget levels.

The non-discretionary expenses have been budgeted to increase in 2013 due primarily to the inclusion of cost recovery for Transport Canada regulatory services. These fees, budgeted for $106 thousand for 2013, are a new cost for the Authority.

BUDGET PLAN 2011 – OPERATING REVIEW

Budget 2012 announced the results of a government-wide spending review. The Authority, as a financially self-sufficient Crown, was not subject to the review, but was encouraged to adhere to the spirit and intent of the exercise by undertaking a self-review, under their Board's authority to seek operational efficiencies.

As a financially self-sufficient Crown corporation, the Atlantic Pilotage Authority operates under a different business model than government departments and appropriated Crown corporations. The Authority receives no appropriations from the Government and operates on a cost recovery basis. It is always the focus of the Authority to provide the most efficient pilotage service possible. This means providing the customers with the service level they demand at the lowest cost possible, while not sacrificing safety of the environment or the safety of the employees of the Authority. All of this is done while remaining financially self-sufficient by recovering all of the costs of providing the service, and retaining sufficient capital to finance future asset replacement and long-term liabilities.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Every year the Authority conducts a strategic planning review process that culminates in the development of the Corporate Plan. This process has several steps:

- The executive and management of the Authority meets to try to answer the key questions of:
  - Are we meeting the service levels required by the customers and where can we improve?
  - How can we provide this service more efficiently?
  - How can we make the management of the Authority as efficient as possible?
  - Have we the appropriate succession plans in place?
  - What are the major risks facing the Authority and how can they be mitigated?
  - What issues will be facing the Authority in five years or longer? What needs to be in our directional plan to face future challenges?

- The results of this review are then presented to the Board of the Authority where they are challenged and recommendations are accepted, rejected, or adjusted. This forms part of the Board's guidance for the development of the Authority's overall budget and operating budgets for each port.
- Management prepares operating budgets for each compulsory port and presents them, along with tariff recommendations, to the Finance, Administration, and Planning (FAP) Committee. After discussion and challenge, the FAP Committee approves the tariff recommendations as presented or as amended by the Committee. The FAP Committee then recommends the tariff adjustments to the Board.
- The operating budgets for each major port or area are subsequently presented to the customers at meetings hosted by the Authority. Customer feedback is received regarding service requirements or planned changes as well as proposed tariff levels required to provide the required service.

- This feedback is presented to the Board and the budgets and corporate plan are finalized.

This year's process sought opportunities to improve the pilotage service while controlling costs where possible. The key results of this review and budgeting process are as follows:

Self-Review

During the Authority's annual strategic planning sessions, the APA conducted a self-review as a non-appropriated Crown corporation as recommended, taking into

consideration the review criteria for entities that were subject to the formal spending review announced in Budget 2011. Many of the efficiencies and savings noted above were identified in the course of this review. Please note the APA's observations below regarding the review criteria;

- **Operating Efficiency** – To what extent are results being achieved efficiently? Can this activity, service or program be delivered at a lower cost or through a more effective delivery instrument? How does it compare with the delivery of similar activities, services or programs in the private sector, other levels of governments, or internationally?

The Authority consults with its customers to determine the level of service required in each port. In some ports, the pattern of vessel traffic contains numerous spikes of activity, creating a need for more pilots than the overall average number of assignments may indicate. The Authority determines the staffing levels for each compulsory pilotage area based on the customer requirements and the expected activity in each port. Occasionally, if traffic levels peak too high, delays may be incurred. Staffing for these rare peaks would be too costly for the customers of the port. The Authority has been working with individual ports to deal with peak periods. For example, during the cruise ship seasons from 2008 through 2011, the Authority hired a retired pilot under a short term contract in Halifax to help cover the peak in traffic during this relatively brief period.

The Authority developed a structured methodology for handling complaints several years ago in response to the Ministerial Review of Outstanding Pilotage Issues. The mechanism is designed to be as user friendly as possible, and the goal of the Authority is to ensure that timely feedback is provided to the complainant. The most common reason for a complaint to be submitted is a delay in an assignment. In some cases, the delay is caused by factors beyond the control of the Authority, such as weather or delays caused by the non-availability of port services such as tugs.

The Authority received a total of 33 complaints out of a total of 9,090 assignments during 2011. The remaining 99.6% of assignments were performed without receiving a complaint from the customer. All complaints received are included in the above total, including those submitted that involved delays not caused by the Authority.

The Authority's service benchmark is to provide service within one hour of the ordered time on 99.0% of assignments (excluding delays caused by factors beyond the Authority's control). In 2011, this benchmark was surpassed with 99.26% of assignments being on time (99.25% in 2010).

- **Internal Services** – Are internal services (e.g., communications, human resource management, financial management, etc.) as efficient as possible? Do they deliver results and value for money? Have standard business processes been adopted? Can improvements be made to reduce any overlap and duplication?

As a non-appropriated Crown corporation, the Authority has adopted standard business processes. The only exception to standard business practices occurs because of compliance to government acts and legislation, such as requirements stipulated by the *Pilotage Act* or the *Financial Administration Act*.

The APA strives to maintain internal services in the most efficient manner possible. The administration staff of the Authority consists of ten people, two of whom are the executive officers. There is no overlap or duplication. The dispatching centre is manned with six individuals, one supervisor and five dispatchers, who provide service 24 hours per day 365 days per year. Casual employees are brought in temporarily to cover for shortages when required.

This streamlined structure applies to pilot staffing as well. The number of pilots in each region is kept to a minimal level while still satisfying the requirements of the customers. It would be far too expensive to staff for peak periods, so the Authority relies on pilots working overtime to cover these peaks. This is far less costly for the customers, but requires significantly more attention by management and dispatchers, as well as communication with customers, to provide pilotage without service delays.

- **Effectiveness** – To what extent is this program, activity, or service achieving the expected results for which it was designed?

2011 Shipping Incidents

During 2011, there were 5 shipping incidents reported by the Authority's pilots. All incidents were minor in nature, and are categorized below:

Type of Incident	2011	2010
Contact with wharf	5	7
Other	0	1
Year end total	**5**	**8**

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

The Authority endeavours to provide a safe and efficient pilotage service in the Atlantic region. The total number of occurrences indicates 99.94% of the 9,090 pilotage assignments were incident free.

- **Affordability** – Is the program, activity, or service a government priority and is it affordable during a period of fiscal restraint?

The entire cost of the pilotage operation in Atlantic Canada is paid for by the users of the service. This is truly a user pay service, and one in which the user has a great deal of input into the service being delivered. The government does not provide appropriations to the APA, and section 36.01 of the Pilotage Act contains the following provision:

"No payment to an Authority may be made under an appropriation by Parliament to enable the Authority to discharge an obligation or liability. This section applies notwithstanding any authority given under any other Act, other than an authority under the Emergencies Act or any other Act in respect of emergencies."

The service provided by the Authority is not related to the issue of fiscal restraint with respect to government spending.

- **Relevance and Need** – To what extent is there still a need for this program, activity, or service? Is it still relevant? Is it still a priority of government?

The Authority's mandate is to operate an efficient pilotage service in the interest of safety. There may be many interpretations of safety, but to the Authority it relates to safety of the ocean, harbour, and river environments within its mandated areas; the safety of coastal communities that may be adversely affected by marine disasters or loss of commercial activity; the safety of mariners, both those employed by the Authority and those aboard vessels calling in Atlantic ports; and the safeguarding of the business environment that relies on the shipping industry. The marine shipping industry produces the smallest ecological footprint of any mode of transportation, and the Authority is making an important contribution to maintaining the viability of this sector.

The Canadian public and government remain vitally concerned about the environment. The Canadian marine pilotage service provides an important environment safeguard, perhaps more so today than when the Pilotage Act was proclaimed in 1972. The Authority believes that the service provided is relevant and remains a priority of government.

- **Federal Role** – To what extent is this program, activity, or service consistent with the federal government's roles and responsibilities? Are other levels of government, the private sector, or the not-for-profit sector better positioned to deliver the program, activity or service in this area?

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

The APA is responsible for 17 compulsory ports located throughout the Atlantic region. The Authority continues to monitor and assess all areas within its mandate to determine any change in factors and circumstances that may have an impact on safety. Local knowledge is a vital part of marine pilotage, both for the pilot conducting a vessel into a port and for the Authority in assessing the safety impacts for the region.

The geographical region assigned to the APA crosses provincial, municipal, and port boundaries. It would not be practical for Provincial or port specific entities to provide this service. For a number of ports under the APA's domain, there are no port corporations or significant infrastructure available to provide oversight to a pilotage service.

If a private sector enterprise were delivering the service, there could be commercial pressure to engage in practices that may not be in the public interest. The APA must act in a fair and reasonable manner, but is in a better position to withstand such commercial pressure and act in the public interest. The licensing of pilots and certification of mariners is a regulatory function that is best handled by an independent party such as the APA, rather than by private sector interests that may be in a conflict of interest due to competitive interests.

- **Organizational Role** – To what extent does this program, activity or service have to be delivered by the organization? Would greater efficiencies be achieved if another department or agency, government service provider, or the private sector delivered the program, activity or service? Will net savings be achieved? If proposals include transferring responsibilities within the federal government, have affected organizations been consulted, and do they agree?

The Atlantic Pilotage Authority provides services throughout four provinces. The management team of the Authority is in frequent contact with customers in these ports to provide the best service possible. This local consultation has resulted in a harmonious working relationship between the Authority and its stakeholders. This has allowed the APA to operate as a financially self-sufficient Crown that has not had a CTA review of proposed tariff regulations for over a decade. This relationship and the ability of the Authority to provide the service required would be compromised if the relationship between the Authority and its customers was not maintained

The Authority strives to keep its administrative overhead at the lowest possible level, and operates the service in a very cost-efficient manner.

- **Capital Effectiveness** – Is the capital expenditure achieving value for money? Are processes and requirements overbuilt? Is the asset tied to the core mandate of

the department? Is the organization better served to devolve or sell the asset? Are there opportunities to partner with the private sector to build, recapitalize, or manage the asset?

The Authority's first priority in deciding whether capital expenditures are required is to determine whether a service or facility can be provided by the private sector on a cost effective basis. If this is not possible, capital acquisitions are considered.

The Authority's capital expenditures are primarily for pilot vessels, wharves, and structures. These items are essential to offering the service in the ports in which the investments are made. The Authority tends to own pilot boats, for example, in major ports that require faster and more complex vessels to deliver the service. These vessels are purpose built as pilot boats with limited utility for any other purpose, and would require a significant investment on the part of the private sector. Due to the length of time a contractor would need to recover the cost of these special purpose vessels, few are willing to make the investment and provide the vessel at a competitive price in the major ports.

These assets are built by the private sector. In 2007, a shipyard in Nova Scotia completed two pilot boats for use in Placentia Bay. This contract had been awarded after a competition that included several shipyards in Canada and the USA. In 2010, the Authority conducted a rigorous and transparent selection process utilizing the Merx electronic tendering website, and awarded the contract for the construction of two new pilot boats for the ports of Halifax and Saint John to the lowest bidder. The first of these vessels was launched midway through 2012 with the second vessel expected by year-end.

The APA has also partnered with the private sector to manage assets. The pilot boats in Sydney and Placentia Bay are owned by the Authority, but the management and manning of the vessels is contracted to private sector entities.

As noted previously, the APA has undertaken annual self-review as part of its strategic planning regime. Under the direction of the Board, the Authority will continue this practice in an effort to identify service improvements and achieve greater efficiencies. This ongoing process has resulted in a very efficient Crown Corporation that delivers the required level of service at the lowest cost to industry as possible, while protecting the interest of the Canadian public and communities.

RISK MANAGEMENT

Pilotage Risk Management Methodology

The APA has been a leader among Pilotage Authorities in conducting Pilotage Risk Management Methodology (PRMM) studies. The Authority completed four PRMM analyses in recent years on the following subjects:

- on vessel size and types subject to compulsory pilotage;
- on the Miramichi River Compulsory Pilotage Area to determine if it should remain compulsory;
- on the approaches to Voisey's Bay to determine whether compulsory pilotage was required;
- and on the St. Croix River and Port of Bayside to determine whether compulsory pilotage was required.

In 2010, a high level preliminary review was conducted on non-compulsory ports in Nova Scotia to determine if there was a requirement for a full PRMM review in those ports. Four ports were identified for further attention; however, two of these ports have had their primary industry close and may not merit a further review. In 2011, a similar review was held in New Brunswick. Following the recommendation in this report, the above-noted PRMM review was conducted for the port of Belledune with a recommendation made that this area should have compulsory pilotage. After extensive consultations with direct stakeholders, the proposed amendments were submitted to Transport Canada for publication.

In 2006, the Authority had a PRMM conducted for the St. Croix River and Port of Bayside, NB. The review recommended that this area become compulsory, and the regulatory process was begun. Because the area was adjacent to United States waters, and the pilotage would extend into those waters, DFAIT became involved in the process and it stalled at the regulatory stage. In 2012, the Authority asked the original facilitator to review the area again because of a dramatic decrease in vessel traffic. The facilitator's report indicated that the conditions that were present in 2006 were no longer an issue, and the previous recommendation was rescinded. The Authority agreed and requested that the regulatory process cease, leaving the area non-compulsory.

In 2012 a preliminary review began on non-compulsory ports in Newfoundland. The facilitator will report by the end of the year with his recommendations as to whether full PRMM's are necessary for any of these ports. If the facilitator finds that a PRMM is required for one or more ports, it is expected that this review will be done in 2013. The Authority is planning on following the recommendations for Nova Scotia and performing a PRMM on Sheet Harbour and Pictou, two of the four areas recommended in the preliminary review. Two of the areas recommended for a PRMM, Hantsport and

Liverpool, have had their primary industries shut down and these areas no longer present the same risk of incident due to lack of traffic.

Enterprise Risk Management Framework

The Authority has established an Enterprise Risk Management framework to identify and mitigate risks to the corporation. Risks were initially identified with the assistance of external consultants through a thorough analysis of the enterprise's environment. Any existing mitigation to help reduce the likelihood or impact of the risk was considered, and additional mitigation was identified and where practicable, implemented for each risk. This analysis initially identified 29 risks, which were reduced to 23 risk categories through refining the definitions and combining like risks. The risks were ranked after a thorough review by the Board and Management of the Authority. It is understood that the risk categories are not static, and a regular review is required. The review may identify new risks, may determine that risks have decreased through sufficient mitigation to reduce their likelihood or impact, or may determine that the risk level has increased due to changes in circumstances.

The risk categories fall into one of four categories. High risk items are identified in red, medium risks are in yellow, and low risks are in green and very minor risk items in blue. While it is important to be cognizant of all risk factors, the high risk categories demand the most priority, followed by the medium risk categories. The following risk categories were identified:

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

APA Risk Categories- 2012 Ranking

1	Injury to pilot/crew member while transferring
2	External Economic Risk
3	Risk of Accident Caused by Human Error
4	Operating costs exceeding amount budgeted when tariffs are determined
5	Safety Compromised due to Pilot Fatigue/Under the Influence
6	Interruption of Service due to Breakdown in Labour Relations
7	Risk that Employees are exposed to Injury or Illness in the Workplace
8	Governance/Organizational Structure
9	Loss or Misuse of Information, Data, or Other Assets
10	Customer Satisfaction
11	Risk of being unable to Attract and Retain Pilots to meet Demand
12	Safety Compromised due to Boat Crew Fatigue/Under the Influence
13	Loss of Launch Services causing Major Interruption of Service
14	Certificate Holders Evaluations
15	Safety Compromised due to Inappropriate Pilotage Area Designation
16	APA Involvement in Non Comp Ports
17	Pilot Vessels not meeting TC Inspections
18	Fraud
19	Succession Planning
20	Management Information
21	Safety/Service Compromised due to Interruption to the Dispatch Operation
22	Business Continuity
23	Unable to Attract and Retain Adequate and Trained Relief Pool for Pilot Boat Crew

The Authority has developed mitigation strategies for all twenty three identified risks.

ESTABLISHMENT OF WEATHER BUOYS IN ATLANTIC REGION

The APA has been a strong supporter of a joint initiative to establish weather buoys in key areas in the Atlantic region. This joint initiative, known as SmartATLANTIC, is spearheaded by the Canadian Marine Pilots Association and has the support of the APA, the Halifax Port Authority, the Saint John Port Authority, the Strait of Canso Superport Authority, Canaport LNG, and Canaport Limited. It has been endorsed by the Shipping Federation of Canada and the Canadian Shipowners' Association.

The APA, Halifax Port Authority, Saint John Port Authority, Canaport LNG and Canaport Limited have committed to sharing operating costs of the buoys if the capital costs can be covered by other parties.

This initiative proposes that weather buoys be established inshore at Halifax, Saint John, and the Strait of Canso. In addition to providing weather and wind information, these

buoys would provide highly valuable real-time directional wave information that is not currently available. This information would help mitigate risk by supporting safe navigation, safety of life at sea, protection of the environment, and fundamental research.

This initiative would benefit many public sector users such as Environment Canada, Canadian Coast Guard, Department of Fisheries and Oceans, Transport Canada, Canadian Hydrographic Service, the Port Authorities, and the APA. It would also benefit the private sector and the public at large through increasing the safety margin for aquaculture and fishers, recreational boaters, tourism operators, shipping lines, port terminal operators, and infrastructure and land use planners.

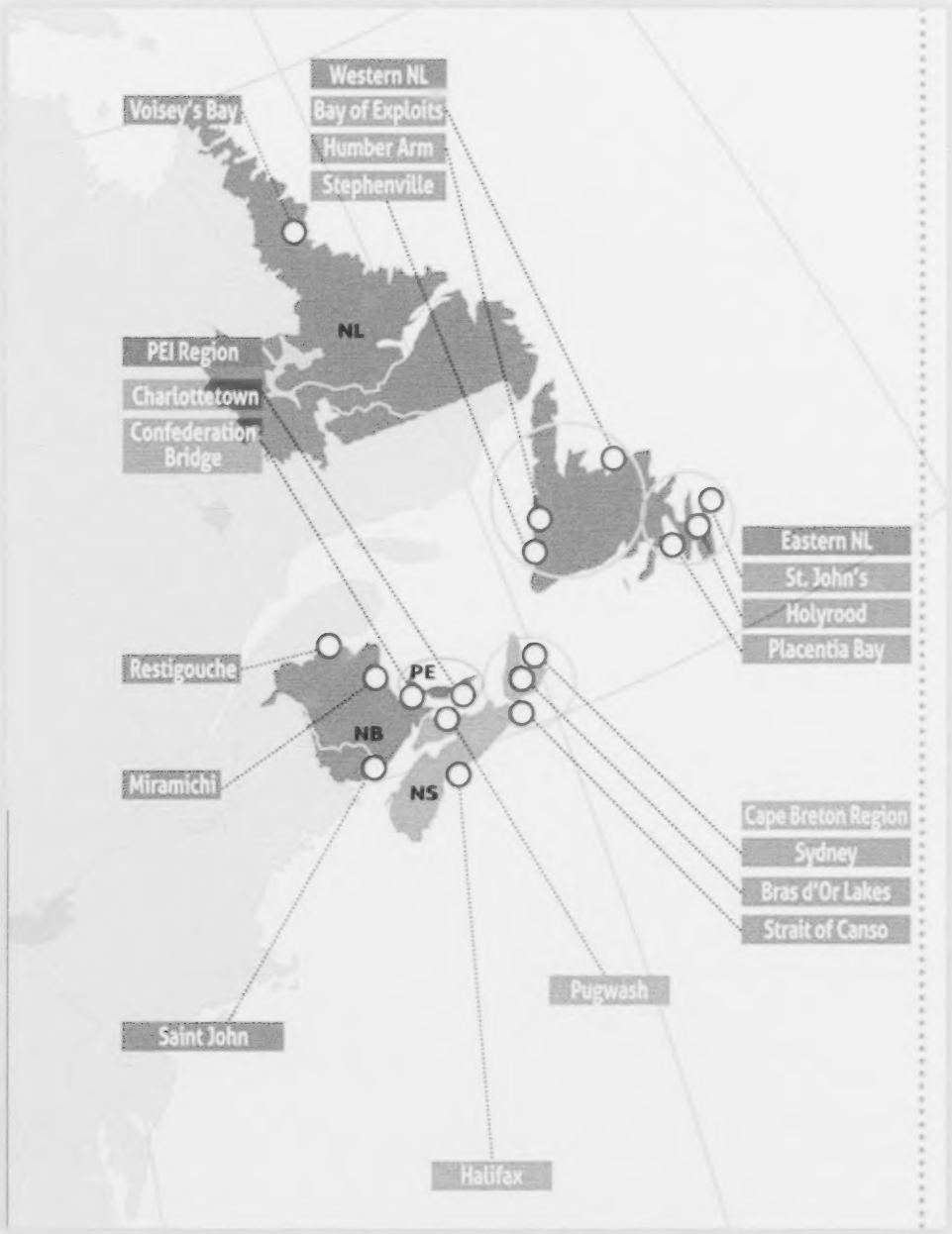
The APA believes that this initiative is vitally important in reducing risk to the APA pilots and boat crews, and would be an essential factor in improving safety of the marine environment for all those who derive their living or pursue recreational interests in these areas. The Authority would strongly encourage Transport Canada to support the SmartATLANTIC Weather buoy initiative in conjunction with Environment Canada and other parties that will benefit.

Revenue and Traffic Patterns

The Authority provides pilotage service in the following compulsory pilotage areas: Halifax, Sydney, Bras d'Or, Canso, and Pugwash in Nova Scotia; Saint John, Miramichi, and Restigouche in New Brunswick; St. John's, Holyrood, Placentia Bay, Humber Arm, Stephenville, Bay of Exploits, and Voisey's Bay in Newfoundland and Labrador; Charlottetown and Confederation Bridge in Prince Edward Island. Pilotage service is provided to non-compulsory ports upon demand. The Authority has pilots licensed for 17 non-compulsory ports and did assignments in the majority of these areas in 2012. The total number of estimated assignments for 2013 is expected to be 8,755. The compulsory areas are indicated on the following map.

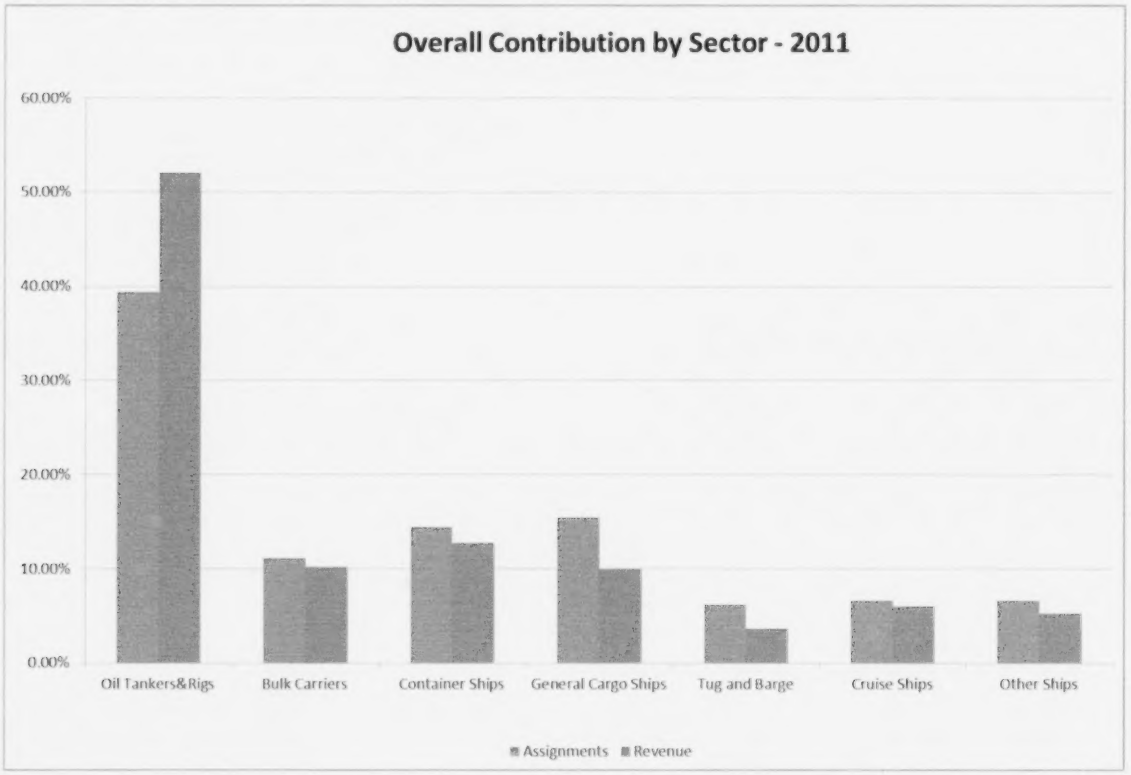
Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Atlantic Pilotage Authority Compulsory Pilotage Areas



Of the 17 compulsory areas, there are four major ports that contribute approximately 75% of the Authority's assignments, and approximately 80% of revenues. These ports are Placentia Bay, NL, Halifax, NS, Strait of Canso, NS, and Saint John, NB. Much of the pilotage activity in the Atlantic Region is driven by the oil industry, with oil tankers being primary contributors in Saint John, Strait of Canso, and Placentia Bay. While tanker traffic is also important in Halifax, container ships are the primary contributor to that port which handles over 85% of the Authority's container ship traffic.

The oil industry accounts for approximately 39% of the Authority's overall assignments, and contributes 52% of the overall revenue, based on current trends. The following chart indicates the overall contribution by different sectors.



Foreign flagged vessels provide the great majority of the Authority's business. This fact has become even more pronounced after offshore supply vessels were exempted in 2006, as these vessels are predominately Canadian flagged ships. The current trend is for foreign vessels to represent approximately 76% of assignments, and approximately 77% of revenue.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

DISPATCH

The Authority provides dispatching services throughout its region from a dispatch centre located at its head office. The total cost of the dispatch operation in 2013 will be approximately $518k and this amount has been included in the budget. The dispatching service provides significant information and added value to pilots, customers, port authorities, and management through controlled access web pages established for each group. The web pages are continuously updated from the Authority's Dispatch and Billing System as the dispatcher enters data. Customers and pilots are able to contact dispatch by telephone, e-mail, facsimile, VHF radio, and telex. As the service evolves, it continues to increase the efficiency of the Authority's operations while adding value for customers and employees. The APA has developed the capability to monitor vessel movements in the major ports and their approaches through a computer program utilizing the Automatic Identification System (AIS). The AIS is required on all commercial vessels, and the APA has also installed transmitters and receivers on its pilot boats.

PILOT BOAT SERVICE CONTRACTS

The APA has three models for pilot boat operations. In most ports, a contractor provides both the boat and the crew. In two of the major ports, Halifax and Saint John, the Authority owns and operates pilot boats, with the crew being employees of the APA. In Placentia Bay and Sydney, the Authority owns the vessels, with the manning contracted out to a local company.

The Authority prefers that all pilot boat contracts be paid on a "per trip" basis. This avoids a situation where a guaranteed annual amount of money is paid that has no relation to the number of assignments and revenue in that port. This principle is followed with a few minor exceptions to address local issues in a port.

Pilot boat costs are made up of those incurred by the Authority in operating its own vessels, those paid to a contractor to provide a pilot boat service, and fees paid on an ad hoc basis to local entrepreneurs in minor non-compulsory ports where it is not feasible to have a formal pilot boat contract. The Authority attempts to use its own boats in the most efficient manner possible and to control costs where possible. The costs in ports in which a private contractor provides service on a "per trip" basis will fluctuate based on the volume of traffic in the port.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

MANNING LEVELS

The Authority has seventy-four full time employees, and one part time employee. This complement includes 43 pilots, 17 pilot boat crew members, 6 dispatch personnel, and 8.5 management and administrative personnel.

The Authority employs highly skilled and qualified pilots. Professional development is emphasized, and the Authority makes a significant financial commitment to ensure that the best available training is provided. The pilots are supported by competent pilot boat crews and dispatchers who work as a team to provide the best possible service to the customer. The Authority employs professional and proficient management and support staff to administer the operations.

The licensed pilots and the pilot boat crews are trained to conduct a safe marine pilotage service. The Authority monitors the requirements for each port and staffs accordingly, after consultation with stakeholders. Pilotage and the marine industry are undergoing rapid technological change. The Authority evaluates and modifies training programs to deal with the rapidly evolving technology.

Statement of Human Resources
2010-2017

	ACTUAL 2010	ACTUAL 2011	OUTLOOK 2012	BUDGET 2013	PLAN 2014	PLAN 2015	PLAN 2016	PLAN 2017
ADMINISTRATION								
EXECUTIVE OFFICERS	3.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
MANAGERS	2.0	2.0	3.0	3.0	3.0	3.0	3.0	3.0
SUPPORT	5.0	5.5	3.5	4.0	4.0	4.0	4.0	4.0
	10.0	9.5	8.5	9.0	9.0	9.0	9.0	9.0
OPERATIONS								
PILOTS	46.0	45.0	43.0	44.0	45.0	45.0	45.0	45.0
PILOT BOAT CREWS	14.0	14.0	17.0	18.0	18.0	18.0	18.0	18.0
DISPATCHERS	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
	66.0	65.0	66.0	68.0	69.0	69.0	69.0	69.0
TOTAL EMPLOYEES	**76.0**	**74.5**	**74.5**	**77.0**	**78.0**	**78.0**	**78.0**	**78.0**
ENTREPRENEURIAL PILOTS	13.0	13.0	10.0	11.0	11.0	11.0	11.0	11.0
TOTAL MANPOWER RESOURCES	**89.0**	**87.5**	**84.5**	**88.0**	**89.0**	**89.0**	**89.0**	**89.0**

The Executive Officers include the Chief Executive Officer and the Chief Financial Officer. The Managers of the Authority encompasses the Pilotage Operations Manager, the Controller, and the HR Administrator. Support staff includes executive and administrative assistant positions.

Under Operations, "Pilots" and "Pilot Boat Crews" refer to employees of the APA. The pilot strength in Cape Breton was reduced by one through attrition by the end of 2011, and pilot strength in Halifax was reduced by one due to disability. The pilot in Restigouche, NB, will retire in early 2013, and coverage in that port will be provided by on a contract basis. Two additional apprentice pilots will be hired in Halifax in 2013, contingent upon the disposition of the oil refinery in that port. Entrepreneurial (or Contract) Pilots are not employees of the APA, and derive their income from receiving a share of the tariff levied for an assignment. Nine of these pilots work in compulsory areas. One works in the non-compulsory area of Belledune. A Contract Pilot is paid a percentage of the tariff rate for each pilotage assignment. Some employee pilots perform Contract Pilotage in non-compulsory assignments during their off duty time. Because these pilots are included above as employee pilots, they are excluded from Entrepreneurial pilot totals.

The pilot boat crew numbers have increased in 2012 with the establishment of a fourth crew in Saint John, NB. This initiative was supported and encouraged by the Saint John stakeholders to ensure 24 hour coverage for the port. Each crew is made up of a launchmaster and a deckhand. The Pilot Boat Administrator position evolved from a support position in 2012 to manage the pilot vessel maintenance and manning. The addition of a pilot boat engineer has been budgeted for 2013.

Dispatchers are employees of the Authority who work out of the Dispatch Centre located in the Authority's head office. The Dispatch Supervisor, who has the responsibility of overseeing dispatch operations, is included in the six positions indicated here.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Statement of Income
Years Ended December 31
(000's)

	ACTUAL 2011	OUTLOOK 2012	BUDGET 2013	PLAN 2014	2015	2016	2017
INCOME							
PILOTAGE CHARGES	$ 21,615	$ 20,189	$ 22,639	$ 23,894	$ 25,061	$ 25,562	$ 26,073
NEW PILOT BOAT SURCHARGE	360	-	-	-	-	-	-
OTHER INCOME	64	61	53	54	55	56	57
TOTAL INCOME	22,039	20,250	22,692	23,948	25,116	25,618	26,130
EXPENSES							
PILOTS FEES, SALARIES, AND BENEFITS	9,705	9,402	9,876	10,115	10,451	10,712	10,980
PILOT BOATS, OPERATING COSTS	4,670	4,677	4,964	5,164	5,535	5,646	5,759
STAFF SALARIES AND BENEFITS	1,587	1,351	1,449	1,488	1,529	1,567	1,606
PILOT BOAT CREWS' SALARIES AND BENEFITS	1,228	1,433	1,646	1,680	1,715	1,750	1,785
TRANSPORTATION AND TRAVEL	693	687	698	690	696	713	731
PROFESSIONAL AND SPECIAL SERVICES	480	561	575	587	599	611	623
TRAINING	165	181	213	225	225	230	234
RENTALS	284	297	280	282	287	293	299
COMMUNICATIONS	115	125	133	131	134	136	139
UTILITIES, MATERIALS, AND SUPPLIES	373	381	353	347	349	356	363
AMORTIZATION AND DEPRECIATION	893	859	1,217	1,254	1,230	1,230	1,230
FINANCE COSTS	188	170	198	189	173	150	127
TOTAL EXPENSES	20,381	20,124	21,602	22,152	22,923	23,394	23,876
PROFIT FOR THE YEAR	$ 1,658	$ 126	$ 1,090	$ 1,796	$ 2,193	$ 2,224	$ 2,254
RATE OF RETURN (Without Pilot Boat Surcharge)	6.0%	0.6%	4.8%	7.5%	8.7%	8.7%	8.6%

The New Pilot Boat Surcharge indicated in the statement above was a temporary surcharge that ended on December 31, 2011. This Surcharge was intended to provide funding for the design and initial construction of the two new pilot boats built for Halifax and Saint John. While the revenues derived from the charge were properly included in Revenue in the statements, and reflected in the Net Income, the Authority did not consider them as a factor when establishing the target rate of return because of their temporary nature and specific intent.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Statement of Financial Position
Years Ended December 31
(000's)

	ACTUAL 2011	OUTLOOK 2012	BUDGET 2013	PLAN 2014	2015	2016	2017
ASSETS							
CURRENT							
CASH	$ 3,356	$ 2,799	$ 3,099	$ 4,047	$ 4,080	$ 3,500	$ 5,831
ACCOUNTS RECEIVABLE	3,008	2,750	2,800	3,000	3,100	3,150	3,190
PREPAID EXPENSES	60	75	85	87	87	90	90
	6,424	5,624	5,984	7,134	7,267	6,740	9,111
FIXED							
CAPITAL AT COST	14,356	18,184	19,445	20,975	23,890	27,500	28,210
LESS ACCUMULATED AMORTIZATION	5,693	6,617	7,834	9,088	10,318	11,548	12,778
	8,663	11,567	11,611	11,887	13,572	15,952	15,432
	$ 15,087	$ 17,191	$ 17,595	$ 19,021	$ 20,839	$ 22,692	$ 24,543
LIABILITIES							
CURRENT							
ACCOUNTS PAYABLE	$ 1,995	$ 2,200	$ 1,825	$ 1,850	$ 1,860	$ 1,890	$ 1,900
CURRENT PORTION OF BANK LOANS	251	259	433	460	475	491	508
TERMINATION BENEFITS	297	22	90	75	85	90	90
	2,543	2,481	2,348	2,385	2,420	2,471	2,498
LONG TERM							
BANK LOANS	3,338	6,071	5,464	4,977	4,487	3,980	3,455
TERMINATION BENEFITS	1,345	652	706	786	866	951	1,046
	4,683	6,723	6,170	5,763	5,353	4,931	4,501
TOTAL LIABILITIES	7,226	9,204	8,518	8,148	7,773	7,402	6,999
CONTRIBUTED CAPITAL AND EQUITY							
EQUITY	7,861	7,987	9,077	10,873	13,066	15,290	17,544
	7,861	7,987	9,077	10,873	13,066	15,290	17,544
	$ 15,087	$ 17,191	$ 17,595	$ 19,021	$ 20,839	$ 22,692	$ 24,543

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Statement of Changes in Financial Position
Years Ended December 31
(000's)

	ACTUAL 2011	OUTLOOK 2012	BUDGET 2013	PLAN 2014	2015	2016	2017
OPERATING ACTIVITIES							
CASH PROVIDED BY (USED FOR) OPERATIONS							
NET PROFIT (LOSS) FOR YEAR	$ 1,658	$ 126	$ 1,090	$ 1,796	$ 2,193	$ 2,224	$ 2,254
ITEMS NOT REQUIRING CASH							
AMORTIZATION	893	859	1,217	1,254	1,230	1,230	1,230
ASSET WRITE OFF	73	65	65	85	85	90	90
INCREASE (DECREASE) IN EMPLOYEE TERMINATION BENEFITS- SEVERANCE	261	154	144	155	165	175	185
	2,885	1,204	2,516	3,290	3,673	3,719	3,759
CASH PROVIDED BY (USED FOR) NON-CASH WORKING CAPITAL	(116)	448	(435)	(177)	(90)	(23)	(30)
EMPLOYEE TERMINATION BENEFIT PAYMENTS	(91)	(1,122)	(22)	(90)	(75)	(85)	(90)
CASH PROVIDED BY OPERATING ACTIVITIES	$ 2,678	$ 530	$ 2,059	$ 3,023	$ 3,508	$ 3,611	$ 3,639
FINANCING ACTIVITIES							
CASH PROVIDED BY FINANCING LOAN RECEIVED ACTIVITIES		3,000	-	-	-	-	-
LOAN PAYMENTS	(239)	(259)	(433)	(460)	(475)	(491)	(508)
	(239)	2,741	(433)	(460)	(475)	(491)	(508)
INVESTING ACTIVITIES							
ADDITIONS TO CAPITAL ASSETS	(2,761)	(3,828)	(1,326)	(1,615)	(3,000)	(3,700)	(800)
CASH USED FOR INVESTING ACTIVITIES	(2,761)	(3,828)	(1,326)	(1,615)	(3,000)	(3,700)	(800)
INCREASE IN CASH AND SHORT TERM INVESTMENT DURING THE YEAR	$ (322)	$ (557)	$ 300	$ 948	$ 33	$ (580)	$ 2,331
CASH, BEGINNING OF YEAR	3,678	3,356	2,799	3,099	4,047	4,080	3,500
CASH, END OF YEAR	$ 3,356	$ 2,799	$ 3,099	$ 4,047	$ 4,080	$ 3,500	$ 5,831

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Capital Budget
(000's)

	ACTUAL	PLAN	OUTLOOK			PLAN		
	2011	2012	2012	2013	2014	2015	2016	2017
PILOT BOATS								
CONSTRUCTION OR PURCHASE OF NEW BOAT	2,024	3,272	3,237	200	1,000	2,250	3,000	-
PURCHASE OF PORTABLE BOAT	-	-	-	500	-	-	-	-
PILOT BOAT REFIT AND EQUIPMENT	538	556	452	450	500	650	600	700
WHARVES AND STRUCTURES	113	75	91	85	50	30	30	30
LEASEHOLD IMPROVEMENTS	5	20	-	20	10	10	10	10
COMPUTER AND OFFICE EQUIPMENT	31	15	8	36	20	20	20	20
SOFTWARE FOR COMPUTER PROGRAMS	49	55	40	35	35	40	40	40
TOTAL	$ 2,760	$ 3,993	$ 3,828	$ 1,326	$ 1,615	$ 3,000	$ 3,700	$ 800

Capital Expenditure Comparison Explanation

The Authority had the first of two new pilot boats enter service in the Port of Halifax in mid-2012. The second boat of this class is expected to enter service in the Port of Saint John before the end of 2012. Some smaller items and additions related to these new vessels are budgeted to be made in 2013. The timing of these costs is an estimate and will depend on many factors that will affect the progress of construction. This plan includes a preliminary timeline for adding two more new vessels, one each for Halifax and Saint John. Planning and design work will begin in 2014, with the expectation that the boats will be delivered in 2016. These boats will replace backup vessels that will be 33 and 40 years old by 2016. Customers in both ports have expressed the desire to have reliable pilot boat service, and there is a legitimate need to replace these older vessels. This timeline for more new vessels will be based on cash flows as the Authority would plan to self-finance these vessels at this time.

The Authority is considering purchasing a portable pilot boat in 2013. These light weight vessels can be put on trailers and transported to ports that require them on short notice. In addition to the flexibility provided by the portability of these boats, the Authority is going to evaluate these vessels to determine if they may provide a less costly alternative in ports requiring back-up vessels.

Pilot boat refits and equipment are expected to increase significantly later in the planning period as equipment on the Placentia Bay boats will be reaching the end of its useful life and needing service or replacement. Transport Canada inspections will also be due on all APA boats over this period.

Atlantic Pilotage Authority
Summary of 2013-2017 Corporate Plan

Key Financial Ratios
Years Ended December 31

	ACTUAL 2011	OUTLOOK 2012	BUDGET 2013	PLAN 2014	2015	2016	2017
PROFIT MARGIN	6.0%	0.6%	4.8%	7.5%	8.7%	8.7%	8.6%
DAYS COVERAGE	106	94	95	109	106	95	126
CURRENT RATIO	2.53	2.27	2.55	2.99	3.00	2.73	3.65
RETURN ON TOTAL ASSETS	9.2%	0.8%	6.3%	9.8%	11.0%	10.2%	9.5%
DEBT TO EQUITY	0.92	1.15	0.94	0.75	0.59	0.48	0.40

Profit Margin- The 2012 fiscal year has been below budget financially for the Authority for various reasons. The Authority is projecting a small profit for 2012, but will be well under the budgeted profit. In 2013, the profit margin is expected to increase due to a rebound in activity in some areas and the previously discussed tariff increases.

Days Coverage- In 2011, the Board adopted a resolution with respect to the amount of funds available in liquid assets. The resolution called for the calculation of days coverage of budgeted expenditures per day. It was agreed that if the days coverage reached 122 days, the excess funds would be set aside for future capital expenditures or debt reduction. Once these projects were funded, the targeted return on revenue would be adjusted accordingly. During the current period of capital replacement, a decision was made to use cash on hand rather than long-term debt. The Authority has $4 million borrowing approval, but current projections indicate that the maximum to be borrowed may be less than the approved amount. In the 2014 to 2016 period, the Authority is proposing two more vessels be constructed and currently plans to finance them completely through cash reserves.

Current Ratio- The current ratio is expected to remain strong through the planning period with current assets always being more than double current liabilities.

Return on Assets- The return on assets is at a low point in 2012, but is expected to improve in the remainder of the planning period. The goal is to earn a higher return on assets than what could otherwise be earned if the money were invested elsewhere.

Debt to Equity Ratio- The debt to equity ratio is expected to top out just over 1.15 to 1 in 2012 with the addition of borrowing for the new vessels coming into service in the year. It is expected that long-term liabilities related to severance payment accruals will be paid out, partially offsetting this exposure. There is no new borrowing in the plan for future years which will reduce the debt to equity ratio.